



BellSouth Telecommunications, Inc.
Suite 2101
333 Commerce Street
Nashville, Tennessee 37201-3300

615 214-6301
Fax 615 214-7406

Guy M. Hicks
General Counsel

October 6, 1997

VIA HAND DELIVERY

Hon. Sara Kyle, Director
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0500

Re: *Universal Service Generic Contested Case*
Docket No. 97-00888

Dear Director Kyle:

In response to your request for comments to the proposed Report and Recommendation of the Hearing Officer, BellSouth Telecommunications, Inc. ("BellSouth") submits the following:

1. BellSouth understands and appreciates the significant time constraints under which the Tennessee Regulatory Authority ("TRA") is operating in this docket. Although BellSouth is prepared to work with the TRA to the extent necessary to meet the applicable deadlines, BellSouth is concerned about the feasibility of meeting the proposed deadline for submitting compliant cost studies. The proposed schedule set forth on page 15 of the Report provides for hearings the week of January 5 and (optional) post-hearing briefs due January 20. The TRA's decision on Phase I issues would be made on January 27, and the parties would be required to file compliant cost studies three days later on January 30, 1998. There is a significant likelihood that this three-day interval will not be sufficient. For example, depending upon the TRA's recommended changes to the underlying assumptions in, or inputs to, the cost model ultimately selected, it could take considerably longer than three days for the parties to implement the changes and generate compliant cost studies.

To address this concern, BellSouth proposes that post-hearing briefs be submitted earlier, on January 16, and that the TRA's decision be made on Friday, January 23 rather than Tuesday January 27. This change will allow one week, rather than only three days, for the parties to submit compliant cost studies and will still provide the TRA the same amount of time for making its filing with the FCC on February 6, 1998.

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2. BellSouth disagrees, at least in part, with the Hearing Officer's suggestion that all of the "Preliminary Issues" identified by BellSouth and AT&T are legal issues that do not require the consideration of testimony by the TRA. (Report at 11). For example, BellSouth believes that defining the services to be supported by the Tennessee universal service fund implicates significant policy considerations upon which testimony would be particularly appropriate. Indeed, these issues are couched in terms of "should" the TRA take certain actions in defining the scope of the universal service fund, which is indicative of a policy issue.

Nevertheless, in light of the applicable time constraints, BellSouth recognizes that it is unlikely that the TRA would be able to conduct two universal service hearings in the first phase of this proceeding -- one addressing the threshold issues, and the other addressing the cost model and appropriate inputs. However, in the event that the FCC grants the request of the TRA and other state commissions to extend the February 6, 1998 deadline, BellSouth requests that the proposed schedule be modified accordingly so as to give all the parties the opportunity to present evidence in a hearing with regard to the preliminary policy issues that have been identified.

Thank you for the opportunity to comment on the proposed report.

Sincerely yours,



Guy M. Hicks

GMH:ch

cc: Charles Howorth
Bennett Ross
Parties of Record

CERTIFICATE OF SERVICE

I hereby certify that on October 6, 1997, a copy of the foregoing document was served on the parties of record, via U. S. Mail, postage pre-paid, addressed as follows:

Don Baltimore, Esquire
Farrar & Bates
211 7th Ave., N., #320
Nashville, TN 37219-1823

James P. Lamoureux
AT&T
1200 Peachtree St., NE, #4068
Atlanta, GA 30367

Mr. Thomas J. Curran
Director External Affairs
360 Communications Co.
8725 W. Higgins Road
Chicago, IL 60631

Guilford Thornton, Esquire
Stokes & Bartholomew
424 Church Street, #2800
Nashville, TN 37219

Richard Smith
President
Standard Communications Co.
302 Sunset Dr., #101
Johnson City, TN 37604

T. G. Pappas
Bass, Berry & Sims
2700 First American Center
Nashville, TN 37238

Ms. Nanette Edwards
Regulatory Affairs Manager
Deltacom, Inc.
700 Blvd. South, #101
Huntsville, AL 35802

Richard M. Tettlebaum
Citizens Communications
1400 16th St., NW, #500
Washington, DC 20036

W. T. Sims
Manager
Yorkville Telephone Cooperative
Yorkville, TN 38389

Vincent Williams, Esq.
Office of the Attorney General
Consumer Advocate Division
426 Fifth Ave., N., 2nd Fl.
Nashville, TN 37243-0500

Glen B. Sears
General Manager
West Kentucky Rural Telephone Coop.
237 N. 8th St.
Mayfield, KY 42066

William C. Carriger, Esquire
Strang, Fletcher
One Union Sq., #400
Chattanooga, TN 37402

Carolyn Tatum-Roddy, Esq.
Sprint Communications Co., LP
3100 Cumberland Circle
Atlanta, GA 30339

Dan H. Elrod, Esquire
Trabue, Sturdivant, et al.
511 Union St., #2500
Nashville, TN 37219-1738

Jon Hastings, Esquire
Boult, Cummings, et al.
414 Union St., #1600
Nashville, TN 37219

Henry M. Walker, Esquire
Boult, Cummings, et al.
414 Union St., #1600
Nashville, TN 37219

Dana Shaffer, Esquire
NEXTLINK
105 Malloy Street, #300
Nashville, TN 37201

Richard Cys
Davis, Wright Tremaine
1155 Connecticut Ave., NW, #700
Washington, DC 20036

Daniel M. Waggoner
Davis Wright Tremaine
1501 Fourth Ave., #2600
Seattle, WA 98101-1684

Charles B. Welch
Farris, Mathews, et al.
511 Union St., #2400
Nashville, TN 37219

Hubert D. Dudney
General Manager
Twin Lakes Telephone Co.
P. O. Box 67
Gainesboro, TN 38562

James Wright, Esq.
United Telephone - Southeast
14111 Capitol Blvd.
Wake Forest, NC 27587

Dennis McNamee, Esquire
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0500

Wayne Gassaway, Manager
DeKalb Telephone Cooperative, Inc.
P. O. Box 247
Alexandria, TN 37012

Phoenix Network
Attn: Denise Newman
1687 Cole Blvd.
Golden, CO 80401

Jane Walters, Commissioner
Department of Education
710 James Robertson Pkwy, 6th Fl.
Nashville, TN 37423-0375

Jack McFadden, Director
Dept. of Finance & Administration
598 James Robertson Parkway
Nashville, TN 37243-0560

Dana Frix, Esquire
Swidler & Berlin
3000 K Street, NW, #300
Washington, DC 20007

F. Thomas Rowland
North Central Telephone. Coop.
P. O. Box 70
Lafayette, TN 370830070

Val Sanford, Esquire
Gullett, Sanford, Robinson & Martin
230 Fourth Ave., N., 3d Fl.
Nashville, TN 37219-8888

D. Billye Sanders, Esquire
P. O. Box 198866
Nashville, TN 37219-8966

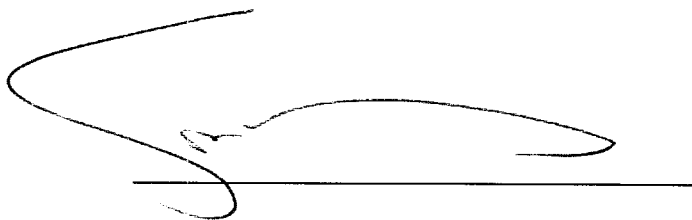
Fred L. Terry
General Manager
Highland Telephone Cooper
P. O. Box 119
Sunbright, TN 37872

Michael Romano
Mark Pasko
Swidler & Berlin
3000 K. St., NW, #300
Washington, DC 20007-5116

Proctor Upchurch, Esquire
P. O. Box 3549
Woodmere Mall
Crossville, TN 38557-3549

Sheila Davis
Chaz Taylor, Inc.
3401 West End Ave., #318
Nashville, TN 37203

James W. Dempster, Esquire
Ben Lomand Rural Telephone Co-opp.
P. O. Box 332
McMinnville, TN 37111-0332

A handwritten signature in black ink, featuring a large, sweeping loop on the left side and a horizontal line extending to the right.